

# EXAMINER'S BANKING PRACTICES SURVEY

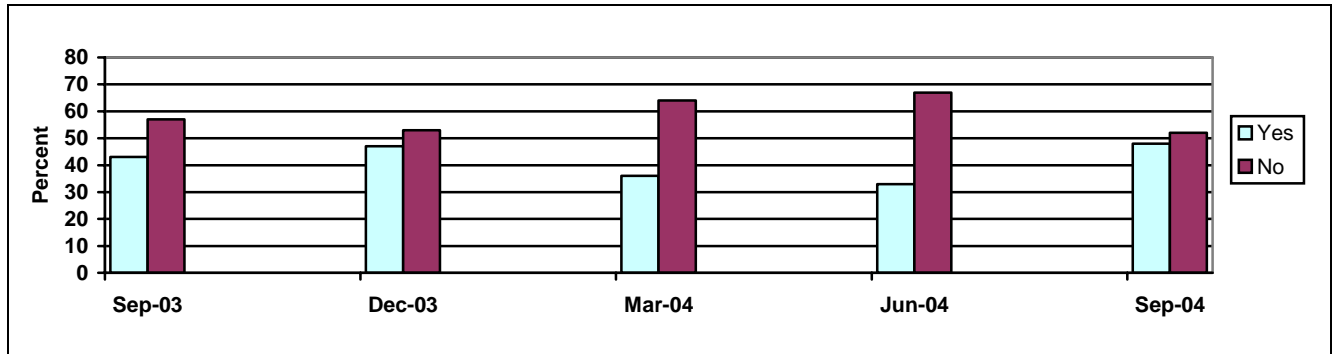
Third Quarter 2004

Division of Finance  
State of Missouri

This survey is completed by bank examiners at the conclusion of each examination. **Third Quarter 2004** results are compiled from **23** responses.

## LENDING

1. Since the last examination, has the institution significantly increased lending activity in any particular segment of the portfolio? "*Significantly*" means growth of 20% or more.



Of yes responses:

Loan Type	Sep-03	Dec-03	Mar-04	Jun-04	Sep-04
RE/Const/Land Devel	17%	22%	27%	15%	20%
RE/Agricultural	13%	11%	14%	15%	16%
RE/Commercial/Indust	30%	15%	27%	20%	16%
RE/Residential	10%	14%	14%	10%	16%
Agricultural	10%	14%	0%	15%	16%
Commercial/Industrial	17%	17%	9%	25%	12%
Consumer	3%	7%	9%	0%	4%

2. Is the institution active in making the following types of loans?

	Dec-03		Mar-04		Jun-04		Sep-04	
	Yes 14%	No 86%	Yes 16%	No 84%	Yes 7%	No 93%	Yes 9%	No 91%
Of Yes Responses-Loan type								
Sub-prime/Predatory lending	43%		0%		0%		50%	
Dealer paper	43%		100%		0%		50%	
Low or No-doc bus. lending	14%		0%		50%		0%	
High LTV home eq. lending	0%		0%		50%		0%	

3. Is the bank offering below market interest rates or reduced fees to attract loans?

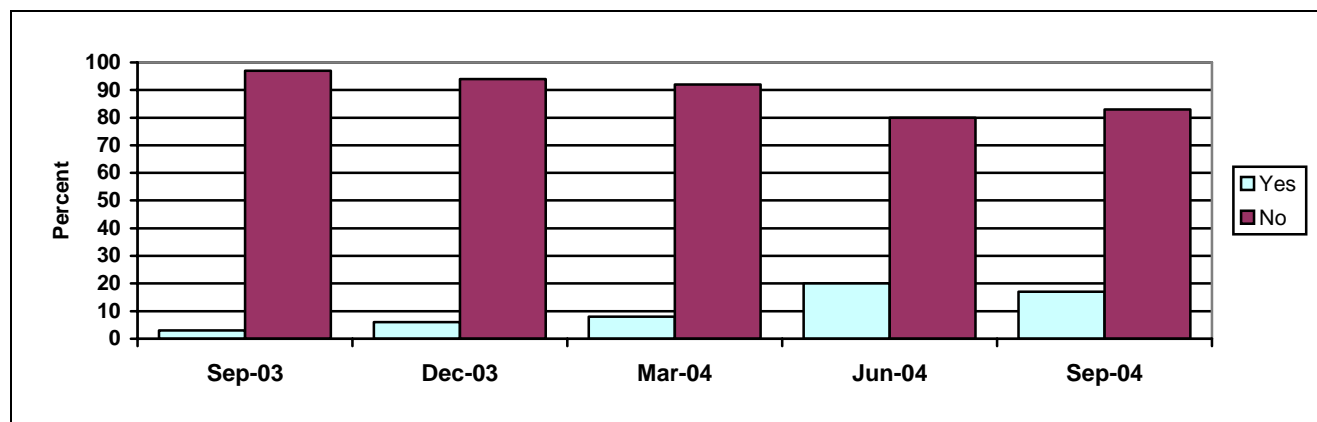
	Sep-03	Dec-03	Mar-04	Jun-04	Sep-04
Yes	0%	0%	0%	3%	0%
No	100%	100%	100%	97%	100%

## Examiner's Banking Practices Survey

4. Does the institution use credit scoring models for loan decisions?

	Dec-03		Mar-04		Jun-04		Sep-04	
	Yes 22%	No 78%	Yes 12%	No 88%	Yes 7%	No 93%	Yes 4%	No 96%
Of Yes Responses - Loan type								
Credit card	13%		0%		0%		0%	
Consumer	40%		67%		67%		0%	
Residential mortgage	40%		33%		33%		50%	
Small business	7%		0%		0%		50%	
Other	0%		0%		0%		0%	

5. Are there indications the bank is incurring "more-than-normal" risk to boost new loans?



Of yes responses:

	Sep-03	Dec-03	Mar-04	Jun-04	Sep-04
Making collateral based loans?	33%	25%	20%	36%	10%
Reduced collateral margins?	0%	25%	20%	14%	20%
Not requiring cash flow projections?	0%	25%	40%	21%	30%
Liberal repayment terms? (reduced debt service ratios; interest only; deferred, extended, balloon or negative amortization payments)	33%	25%	0%	21%	30%
Waiving guarantees or other documentation?	33%	0%	20%	7%	0%
Other	0%	0%	0%	0%	10%

6. Describe potential risk in current underwriting practices for:

	Sep-03	Dec-03	Mar-04	Jun-04	Sep-04
<b>Agricultural Loans</b>					
Minimal	87%	83%	96%	70%	92%
Moderate	10%	17%	4%	30%	4%
Substantial	3%	0%	0%	0%	4%
<b>Commercial Loans</b>					
Minimal	80%	81%	64%	73%	65%
Moderate	13%	17%	36%	23%	30%
Substantial	7%	3%	0%	3%	5%
<b>Consumer Loans</b>					
Minimal	94%	86%	80%	83%	91%
Moderate	3%	14%	16%	10%	9%
Substantial	3%	0%	4%	7%	0%
<b>Residential Loans</b>					
Minimal	97%	92%	88%	83%	87%
Moderate	3%	8%	8%	10%	9%
Substantial	0%	0%	4%	7%	4%

7. Differences between actual lending practices and written policies are:

## Examiner's Banking Practices Survey

	Sep-03	Dec-03	Mar-04	Jun-04	Sep-04
Agricultural Loans					
Minimal	97%	83%	96%	83%	91%
Moderate	3%	14%	4%	13%	9%
Substantial	0%	3%	0%	3%	0%
Commercial Loans					
Minimal	93%	83%	80%	80%	87%
Moderate	7%	14%	20%	13%	13%
Substantial	0%	3%	0%	7%	0%
Consumer Loans					
Minimal	97%	89%	84%	93%	91%
Moderate	3%	8%	8%	0%	9%
Substantial	0%	3%	8%	7%	0%
Residential Loans					
Minimal	97%	86%	92%	90%	83%
Moderate	3%	8%	4%	3%	13%
Substantial	0%	6%	4%	7%	4%

8. With regard to agricultural loans, describe the potential risk the bank faces from:

	Sep-03	Dec-03	Mar-04	Jun-04	Sep-04
Carryover Debt					
Minimal	90%	89%	96%	90%	78%
Moderate	10%	11%	4%	10%	17%
Substantial	0%	0%	0%	0%	5%
Phase-out of Farm Subsidies					
Minimal	93%	83%	96%	97%	78%
Moderate	7%	14%	4%	3%	17%
Substantial	0%	3%	0%	0%	5%
Drop in Land Values					
Minimal	86%	86%	96%	79%	87%
Moderate	7%	11%	4%	21%	9%
Substantial	7%	3%	0%	0%	4%

9. Has the ratio of Total Adversely Classified Items/Tier 1 Capital & ALLL increased (+) or decreased (-) since the prior examination?

	Dec-03		Mar-04		Jun-04		Sep-04	
No. Banks with Inc/(Dec) in ratio (%)	+	47%	-	53%	+	53%	-	47%
Average Inc/(Dec) in Ratio		9.3		(9.8)		11.0		(6.1)
Cause of Increase								
Eased underwriting standards		4%		10%		4%		0%
Deterioration in new loans		8%		0%		4%		0%
Deterioration in older loans		67%		40%		54%		84%
Participations or out-of-territory		0%		0%		17%		0%
Economic conditions		17%		10%		13%		8%
Changes in lending personnel		0%		10%		4%		0%
New types of lending activity		0%		0%		0%		0%
Other		4%		30%		4%		8%

10. Estimate loan classifications at this examination into the following types:

Loan Type	Sep-03	Dec-03	Mar-04	Jun-04	Sep-04
RE/Const/Land Development	5%	5%	5%	5%	4%
RE/Agriculture	6%	7%	6%	7%	5%
RE/Commercial/Industrial	21%	26%	20%	22%	21%
RE/Residential	32%	29%	26%	30%	32%
Agricultural	8%	4%	5%	4%	4%
Commercial/Industrial	14%	22%	23%	24%	21%
Consumer	14%	7%	15%	9%	13%

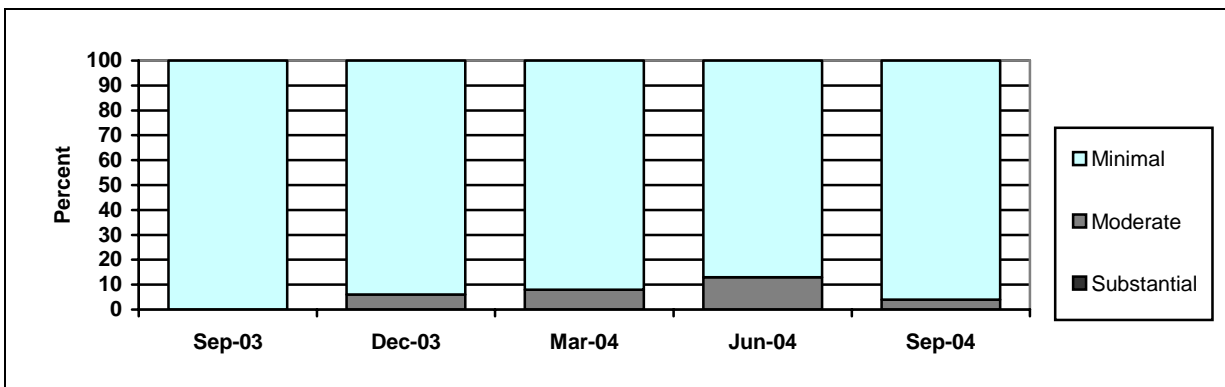
## INVESTMENTS

## Examiner's Banking Practices Survey

11. Since the last examination, has the institution purchased securities without understanding the characteristics of the issue?

	Sep-03	Dec-03	Mar-04	Jun-04	Sep-04
Yes	3%	0%	4%	0%	0%
No	97%	100%	96%	100%	100%

12. Differences between actual investment practices and written policies are:



### OTHER

13. Has the bank established a borrowing line with FHLB?

	Sep-03	Dec-03	Mar-04	Jun-04	Sep-04
Yes	73%	92%	72%	73%	70%
No	27%	8%	28%	27%	30%
If yes, does the bank actively borrow from the FHLB?					
Yes	82%	85%	72%	62%	94%
No	18%	15%	28%	38%	6%

14. Does the bank hold off-balance sheet derivatives?

	Sep-03	Dec-03	Mar-04	Jun-04	Sep-04
Yes	0%	3%	0%	7%	9%
No	100%	97%	100%	93%	91%

15. List nontraditional activity the institution is engaged in.

	Sep-03	Dec-03	Mar-04	Jun-04	Sep-04
Yes	73%	69%	84%	70%	65%
No	27%	31%	16%	30%	35%
Of those that do:					
Nondeposit Investment Sales	27%	29%	25%	26%	21%
Insurance Sales	11%	6%	10%	7%	15%
Real Estate Loan Secondary Market Sales	20%	29%	31%	21%	23%
Non-transactional Web Site	13%	4%	14%	12%	6%
Transactional Web Site	27%	30%	20%	28%	32%
Other	2%	2%	0%	5%	3%